

# Performance and Budgeting: Current Patterns and Challenges

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# A thousand performance flowers blooming.....

- Performance contracts (Denmark, NZ, Thailand, UK)
- Program budgeting (Armenia, Burundi, Romania, South Korea, Ukraine)
- Performance auditing (SAI's globally)
- Performance plans (US)
- Program evaluation (Brazil, Chile, formerly US)
- Performance Monitoring (Brazil)
- Activity-based costing (Iran)
- Client satisfaction surveys (Philippines)
- Benchmarking (Iran)
- Balanced Scorecard (US municipal, Thailand)
- Program assessment (US)
- Monitoring and Evaluation (Egypt)

...and there are more terms added daily....results-oriented budgeting, etc.

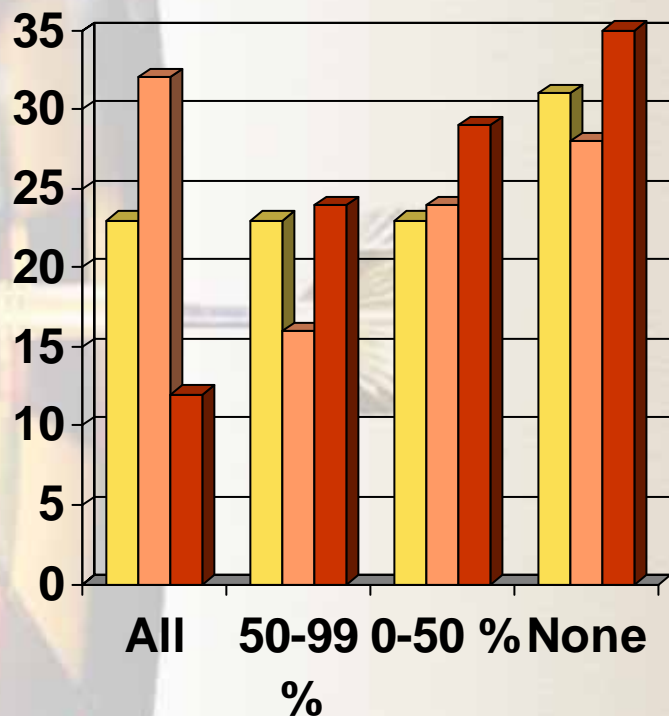


# Performance reforms have many objectives and drivers

- MoF need for basis for reallocation of funds
- Desire to get agencies to think about linking inputs and outputs
- MoF desire to know what they buy
- Desire for more accountability and control
- Desire for greater efficiency, effectiveness
- ... **are introduced in many situations**
  - Weak accounting, reporting
  - Absence of budget offices (Burundi)
  - IT rich (Brazil) and IT poor (Burundi) situations
- ... **and frequently with other reforms**
  - Budget classification
  - IFMIS
  - Tracking spending
  - MTEF
  - Deconcentration of spending authority



# Non-financial performance data in budget documentation



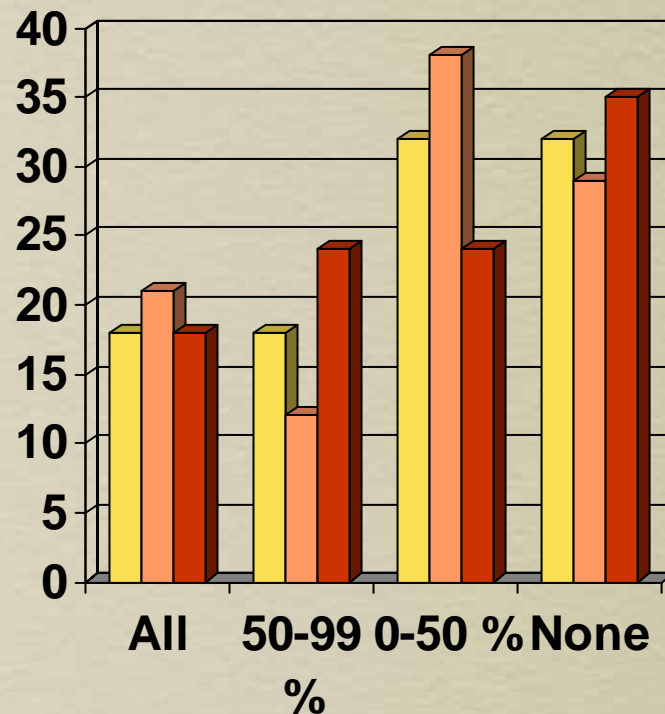
- About **one-third** of all countries **do not** provide non-financial performance data in budgets
- But, nearly seventy percent of all countries provide at least *some* non-financial performance data routinely in budget documentation.
- OECD countries are more likely than LIC/MICs to include non-financial performance data in budget documentation for all programs and for at least half of programs.

■ All countries ■ OECD ■ LIC/MIC



# Inclusion of Performance Targets

- Only about one-fifth of countries include performance targets in performance data for all programs, and about one-third include performance targets for more than half of programs.
- About 70 percent include targets for at least some programs.

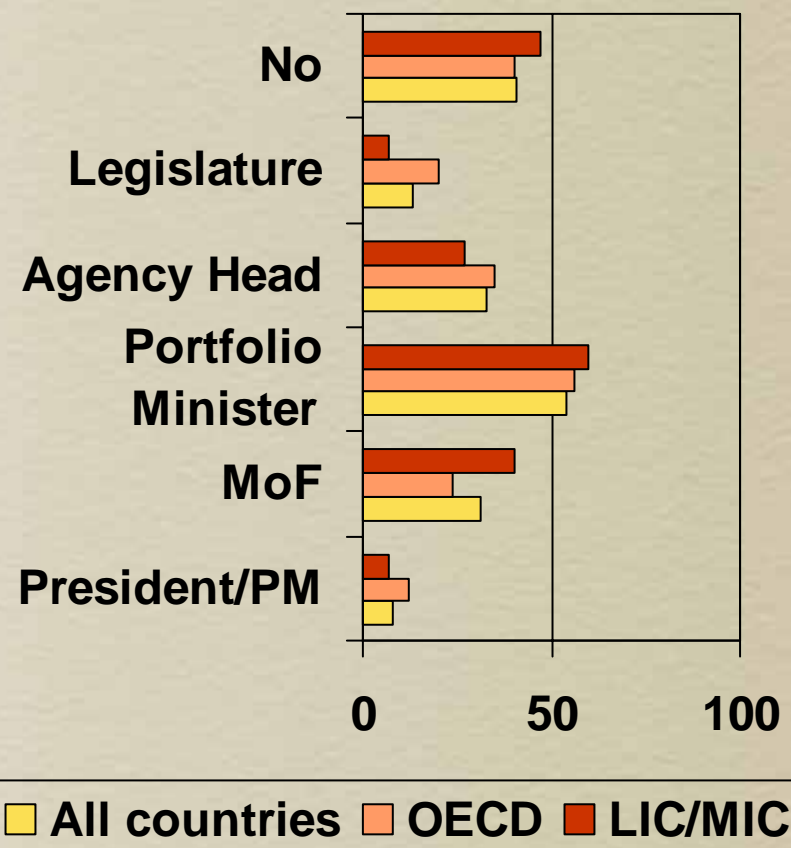


■ All countries ■ OECD ■ LIC/MIC

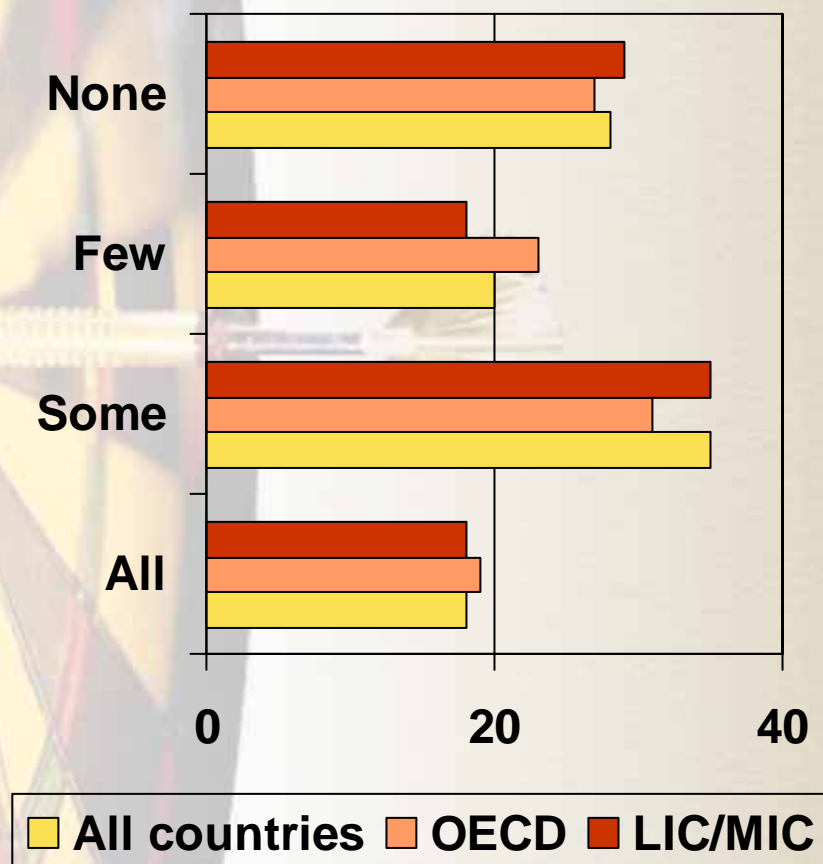


# Is performance continuously monitored?

- **Two-fifths** of countries **do not** continuously monitor performance against targets
- Portfolio ministry most likely to monitor performance
- In one-third, the MoF monitors performance, and in one-third the relevant agency monitors performance internally.
- In only about one-sixth of countries does the legislature monitor performance continually against targets, with OECD legislatures three times more likely to do so than LIC/MIC legislatures



# Expenditures Linked to Strategic Goals?

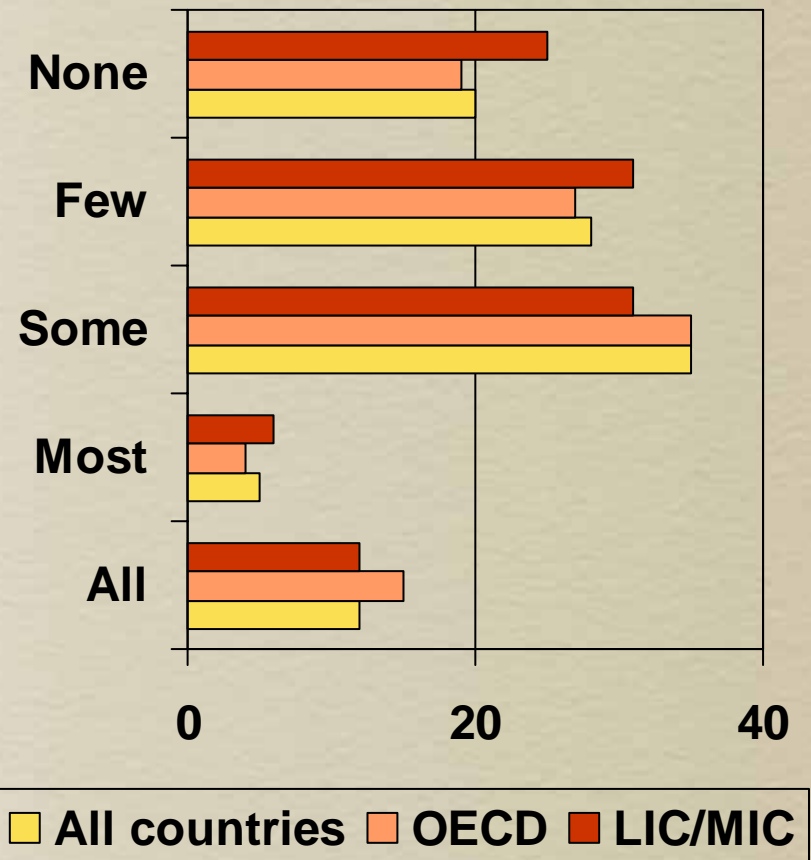


- About three-quarters of all countries have at least a few expenditures linked to strategic goals.
- Only one-fifth of countries have **all expenditures linked to strategic goals** – true for OECD and LIC/MICs.

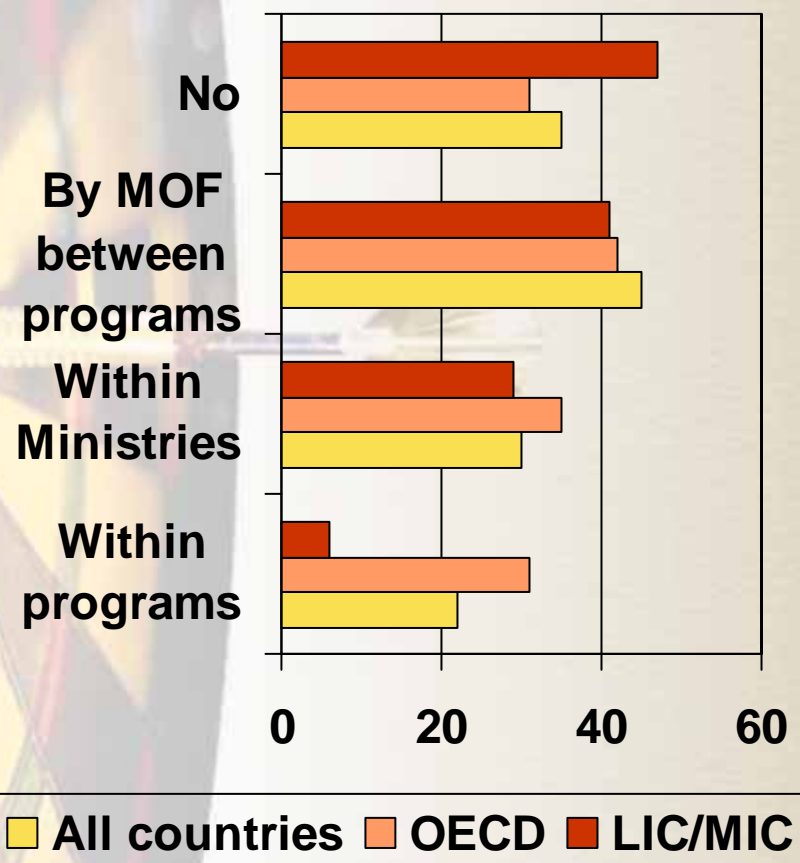


# Expenditures Linked to output/outcome targets?

- About one-fifth of all countries do **not** have performance targets specifically linked to expenditures.
- About one-third of all countries have at least some expenditures specifically linked to performance targets.



# Evidence performance results affect budget allocations?

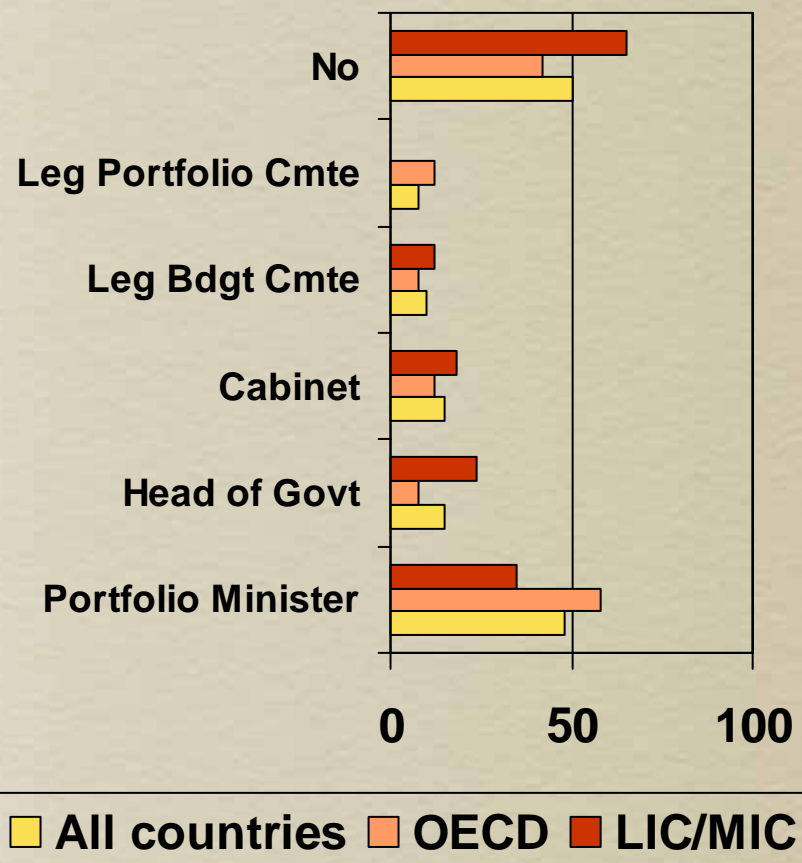


- About **one-third** of all countries state there is **no** evidence performance results are used in determining budget allocations. LIC/MICs are more likely to state there is no evidence.
- Nearly one-half of all countries state there is evidence performance results are used in determining budget allocations by MoF between programs.

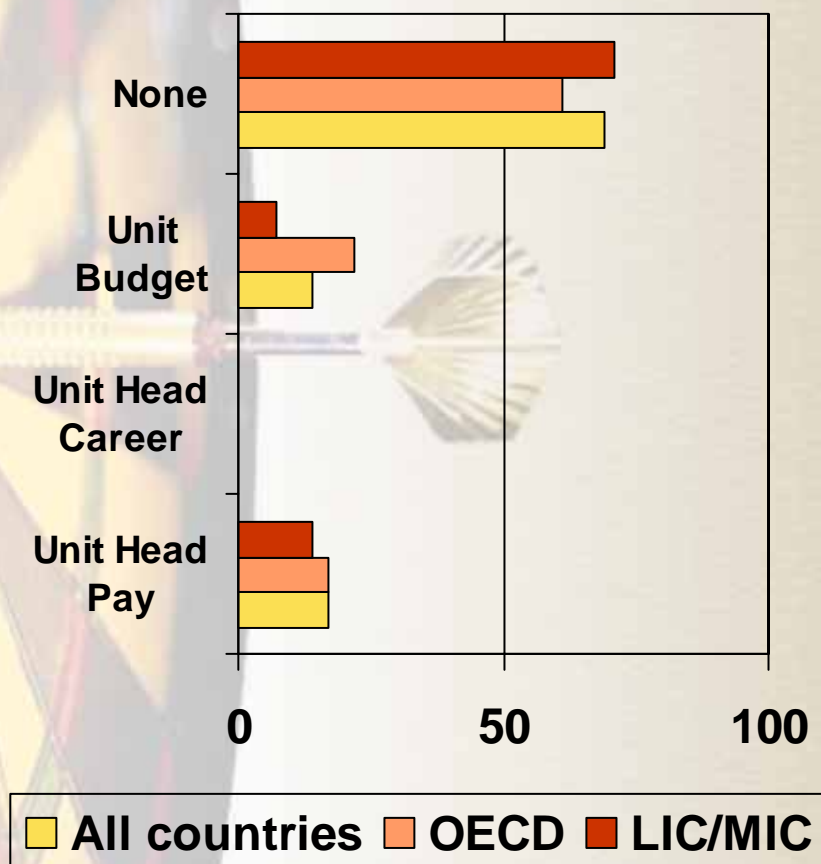


# Do politicians use performance measures in decisions?

- Fifty percent of all countries state that it is **not** common for performance measures to be used by politicians in decision making.
- Nearly fifty percent of all countries state that it is **common** for *portfolio ministers* to use performance measures in decision making.



# Rewards or Sanctions for performance?



- Nearly 70 percent of all countries report no rewards or sanctions being applied if performance targets are met or not met.
- OECD countries report unit budget affected (22 %)



# General Pattern

- Much passive provision of data
- Less linkage to management (targets) or strategic goals
  - Presumption portfolio ministry uses data
- Less linkage of data to budget decisions
  - Little hard evidence of impact
- Less linkage to sanctions/consequences

**Performance may have marginal impact within portfolio ministry, but does not yet appear to have much impact in general budget management.**



# Common Problems

- For beginners:
  - Program definition
  - Performance indicator development
  - Setting targets
- For all:
  - Making performance information available
  - Using performance information
    - Linking performance to budget
    - Linking performance with reward/sanction



# Performance of what, for whom?

- Different systems have been developed to meet different intents, problems
  - Government to society (Oregon – accountability)
    - Government to external stakeholders?
  - Bureaucracy to Elected officials (UK Next Steps – accountability; Brazil PPA; US High Impact Agency Initiative; Mexico National Plan)
  - Agencies to their managers (US GPRA – performance)
  - Ministries/programs to MoF/budget office (US PART – efficiency, effectiveness, parsimony)
  - Service providers to ‘purchasers’ (balanced scorecard, accountability)
- Many reforms have been initiated *without* addressing what area of performance is being targeted, who will use the information, and how
- Few also distinguish between performance monitoring (short-term) and assessments of effectiveness and impact (medium to long-term)

